

IMPROVING INDUSTRIAL RELATIONS IN CAMBODIA'S GARMENT INDUSTRY

EVALUATION SUMMARY



International
Labour
Office

Background and context

The garment, textile and shoe industry is Cambodia's largest manufacturing sector and its principal source of foreign currency. Given the strategic importance of the industry, a good industrial relations (IR) environment

and the maintenance of labour regulation and practices that conform to international standards are of critical importance.

Project purpose, logic and structure

For almost twenty years, the ILO has been working with its constituents in Cambodia to develop and improve the labour and IR environment both generally and within this critical and challenging sector. This project was intended to contribute to this ongoing work by pursuing two 'broad objectives':

- promoting sound IR through genuine collective bargaining;
- strengthening the regulatory and policy framework governing IR and collective bargaining.

These objectives were to be achieved through targeted interventions at the enterprise, sectoral and national levels. The project began in June 2014 and carried on until the end of May 2017. The project was jointly funded by the Swedish International Development Cooperation Agency (Sida) and H&M with an overall budget of US\$ 773,505.

Enterprise level work was to be carried out in a group of factories identified and 'recruited' with assistance from project partner H&M. The first stage of project intervention at the factory level was to be the development of a detailed description of the factory IR environment – an 'IR Map' – based on information provided separately by each of the social partners. The validity of the IR Map would then be confirmed in a bipartite meeting.

At the same time, the social partners in each factory would be encouraged to make two agreements intended to embed the mutual recognition of the separate rights and responsibilities of unions and management. The first would be a 'memorandum of

understanding' modelled on an existing sectoral level agreement (see below) that committed employers to resolve rights disputes via binding arbitration and unions to follow legal procedures prior to taking industrial action. The second would be an agreement committing both parties to avoiding unfair labour practices (ULPs).

The next stage was to be the development and delivery of a package of six training courses in each factory. Courses would cover workplace cooperation, labour law, effective communication, social dialogue, collective bargaining agreements (CBAs), and gender and non-discrimination.

Three months after the training programme was completed, a bipartite progress review meeting was to be held in each participating factory. A second and final progress review meeting was to be held six months later.

Sectoral level project interventions were intended to centre on the promotion and implementation of the Garment Sector Memorandum of Understanding and the provision of training and support to workers' and employers' representatives at the sectoral level on collective bargaining concepts, techniques and procedures.

National level project interventions were intended to fall into two areas: training in conciliation methods and IR policy development for government officials; and support for the updating and improvement of the Ministry's database on union registration and 'most representative status' certification.

Purpose, scope and clients of the evaluation

The current evaluation is the final internal evaluation of the project. Its purpose is to review progress against the expected project deliverables and outcomes and to propose modifications and lessons learned to inform the design of a next phase of the project. The evaluation covers all project activities undertaken

up to 30 December 2016. The intended audience for the evaluation – its ‘clients’ – include the project team, the development partners, the relevant ILO offices and technical departments, the Cambodian Government, workers’ and employers’ organizations and the participating factories.

Methodology of the evaluation

The evaluation aimed to assess the relevance, effectiveness, efficiency, impact, and sustainability of project interventions. Its methods included document review, interviewing against evaluation questions and

the collection of overall ratings from key stakeholders. In addition, conciliators who had participated in project training were surveyed.

Main findings

Relevance

The evaluation found that the project design was coherent with national development priorities as well as with the ILO’s Decent Work Country Programme and the UN Development Assistance Framework. It was also found that the project was aligned with the overall strategies of the development partners (Sida and H&M) as well as stakeholders such as IndustriALL Global Union and IF Metall. A large majority of project stakeholders believed that the project design was relevant to the achievement of its objectives (para. 47).

Some questions were raised about the relationship between the project and the Better Factories Cambodia (BFC) programme (para. 48-50). Garment sector factories in Cambodia that produce for export markets are required to participate in the BFC monitoring programme. Moreover, half of the project’s participating

factories were also clients of BFC’s advisory services, which include the facilitation of a Performance Improvement Consultative Committee (PICC) and a range of training programmes. Although there was regular contact between staff in the two programmes, the project document envisaged a closer collaboration between the two programmes than was the case in practice. The evaluation also found that the training provided by BFC and that delivered by the project was in some respects very similar and that coordination was needed in those factories that were clients of BFC advisory services to ensure that similar courses were not delivered by both BFC and the project (para. 70). Although the project initially outsourced some of its training to BFC, this arrangement did not continue because of internal administrative rules concerning the use of funds (para. 48).

Effectiveness and impact

Project interventions at **enterprise level** were completed as planned. An IR Mapping was carried out in each participating enterprise and MoU and ULP agreements were signed in almost all cases (para. 53).

1219 management and worker participants attended at least one project training course. However, although the intention was that participants would attend all six courses, fewer than 20% attended the full cycle of programmes, with 45% of participants attending only one or two. The results of evaluation questionnaires suggest that participants found the training to be relevant and the quality of training delivery high (para. 54-5).

In terms of the direct impact of the training, evaluation questionnaires suggest that it was very successful. Participants did indeed gain new skills and knowledge and benefited from the opportunity to forge new relationships with colleagues from ‘the other side’ (para. 76). Evidence

from stakeholder interviews points to improved capacity on both sides to deal with worker-management relations in negotiation or communication contexts. For example, it seems that the BFC PICCs operated more effectively where the IR project was also present. Both workers and managers in participating factories also reported that enterprise level dialogue and IR in a general sense had improved as a result of the project (para. 60). There was also an impact on individual behaviour, with a number of informants reporting that supervisor behaviour had improved or that workers had become ‘more reasonable’ (para 78).

Nevertheless, the broader impact of upgraded skills and knowledge and improved workplace relationships was limited because of the absence of opportunities to put this into practice in social dialogue settings. Several reports were heard, for example, of local management ‘having its hands tied’ by business owners with respect

to developing social dialogue. In short, there was simply not enough dialogue going on for better knowledge, skills and relationships to make a real impact on the life of the participating enterprises (para. 77).

The progress review meetings represent a missed opportunity in this sense. While they ought to have been an opportunity for workers and managers to put new skills and knowledge into use, there was evidently some confusion about the aim and purpose of the meetings. In factories where a PICC was also present participants were not clear about the difference between BFC's aims and processes and those of the project. While they were clear about the compliance monitoring and remediation role of the PICCs, there was less understanding of the aim of IR project Progress Review. The result that was the progress review meetings seem to have been a kind of free discussion with no clear goal and no measurable outcome (para. 56).

The content of the collective bargaining agreements that were signed in project factories gives further reason to question the project's impact on the development of genuine social dialogue. Evidence from a recent report on the content of the CBAs negotiated in the project factories shows that most of the provisions of these agreements simply re-state standards set out in Cambodia's laws or regulations (para. 81). There is also evidence that management willingness to participate in bargaining was more a result of responding to buyer pressure than of any independent recognition of the value and importance of social dialogue (para. 80). This may be part of the reason why CBAs tended to be formalistic rather than substantive.

The qualitative evidence that there was only a limited development of concrete opportunities for social dialogue in participating enterprises is consistent with an analysis of the project's key performance indicators (KPIs). This shows that only one of the four targets most directly related to industrial relations was met (para. 60). A CBA was agreed in twelve factories out of a possible 25, while eleven factories had a registered 'most representative' union or coalition of quasi-MRS unions. Of the 3 strikes that took place in participating businesses over the life of the project, legal procedures were properly followed in one case.

Nevertheless, it would certainly be wrong to say that the project did not fulfil its objectives. While goals were not fully met in some areas, there was positive movement on KPIs 1, 2, 3, 5, 6, and 7. As many of the targets were extremely ambitious this must on balance be counted as a success. Particularly noteworthy are the increased number of factories in which grievance procedures were introduced or improved and the very high success rate of those procedures. Further, in both cases where the Arbitration Council made a ruling on a rights dispute this ruling was accepted and implemented by both unions and management (Table 1).

The evaluation found that external factors, in particular the non-renewal of the industry MoU and certain provisions of the new Trade Union Law, were likely to have been instrumental in the failure to achieve the targets set in relation to enterprise level industrial relations (para. 61). However, it was not possible to establish any clear relationship between these factors and the disappointing rate of CBA agreement and MRS certification (para. 82).

Certain of the project's planned activities at **sectoral and national level** had to cease or could not be carried out for reasons that were beyond the control of project staff. While promotional activities surrounding the industry MoU were carried out in the first year of the project (paras. 14 & 18), this activity was necessarily discontinued after the expiry of the agreement at the beginning of 2015. Nevertheless, some planned training activities centred on the MoU were 'reallocated' to the enterprise level. As it seemed likely that the pending Trade Union Law would change the rules about trade union registration and the certification of 'most representative union' status, activities intended to support the development and maintenance of databases on the subject were put on hold until the law was enacted (paras. 15 & 58). Once the new law was in place, unresolved issues relating to its compliance with ratified international standards meant that work in this area could not restart. As a result, no activities in this area took place. More positively, the work that was put into developing relationships at the sectoral level contributed to the emerging possibility of a sectoral collective bargaining agreement that would incorporate elements of the industry-wide MoU such as binding arbitration for right disputes, plus additional issues to be negotiated. In mid-2016 the Garment Manufacturers Association in Cambodia (GMAC) requested assistance from the project to help with the organization of meetings with a selected number of union confederations. Since then, the ILO has been facilitating and providing support to the bargaining process based on the consent of the parties. At the time of writing, an initial formal meeting between the employer and worker sides is planned for November 2017.

The **national level** interventions that were able to take place were broadly successful and appear to have had a positive impact. Training in conciliation for Government officials took place as planned and received very positive evaluation from participants (para. 63). A basic and a more advanced course were offered. The evaluation raised two concerns, however (para. 73). First, just over half of the officials taking the advanced course had not first taken the basic course. Second, more than half of the participants (both courses combined) reported that conciliation was either never or only rarely part of their job role.

A lack of information on the outcomes of conciliation meant that it was not possible to draw any firm conclusions about the impact of the conciliator training in terms of the reduction of the number of industrial disputes (paras. 89-90).

Work on IR policy development was focused in particular on the development of the new Trade Union Law. Consultative workshops and expert consultations were held promoting legislative and regulatory frameworks for sound IR and comments were provided on draft legislation.

The project promoted **gender awareness**, equality and non-discrimination principally via the delivery of a course on the matter in project factories. KPI 6, the number of women elected to union leadership positions, shows that there was some improvement in female participation although the project target in this regard was not met. Further evidence on the impact of the project on gender equality and non-discrimination was not available.

Sustainability of results

The evaluation found that while there is good evidence that knowledge of rights and responsibilities at work has been improved as a result of the project and that training has helped some enterprise level unions improve cooperation, it is not clear that these impacts will be

widely translated into concrete, sustained improvements in industrial relations and social dialogue (para. 93). In this regard it is of some concern that enterprise level MoUs and ULP agreements have generally not been renewed in those cases where they have expired.

Conclusions, recommendations and lessons learned

The conclusions of, and lessons and recommendations arising from the evaluation fall into four broad categories.

The first category relates to the creation and development of opportunities to engage in genuine social dialogue at the enterprise level. The evaluation found that project activities in themselves gave workers and managers an opportunity to use new knowledge and skills. However, unless opportunities to participate in communication, problem solving and distributive negotiation continue to develop after the close of project interventions, further progress towards sound industrial relations is unlikely—regardless of the quality of training programmes delivered. The existence of opportunities for dialogue demands that the social partners be willing to go well beyond a formalistic engagement intended merely to satisfy the letter of the demands of BFC and buyer compliance assessments.

This brings us to the second category of conclusions and recommendations, which relates to the role of buyers. In some project factories, managers seem to have responded to buyer pressure by adopting a ‘bare compliance’ attitude to social dialogue leading, for example, to very limited engagement in dialogue or to the negotiation of CBAs that for the most part merely restate the law. The evaluation suggests that securing support for and commitment to the project from a wide range of reputation-sensitive buyers rather than focusing on just one may go some way to resolving this problem. The more buyers who are sending a consistent message about the need for genuine social dialogue, the less likely it is that suppliers will be tempted to adopt a ‘box-ticking’ approach to compliance in this area.

The third category of conclusions and recommendations concerns the development of a role for any future IR

project in Cambodia that distinguishes it more clearly from Better Factories Cambodia. The evaluation found that BFC’s compliance assessment and remediation role is well understood by the social partners. It is therefore important that any future IR project should be seen to be avoiding assessment and remedy-focused interventions in favour of playing a distinctive process improvement and relation-building role in the context of a rights-based approach to worker participation in social dialogue. The substantive difference between these two roles and the enterprise-level interventions they imply is why it is also recommended that there should not be any convergence of tasks in the hands of personnel working on behalf of both BFC and a future IR project.

The fourth category of recommendations – intended to be complementary to the third – relates to collaboration between an IR project and BFC. The evaluation recommends that this should be continued and expanded to assure consistency of message and improved synergy between the respective interventions of the two programmes. Personnel on both sides should take time to consider the similarities and differences between their interventions with a view to understanding them and operationalizing conclusions about collaboration. For example, project staff should have access to the knowledge and experience of BFC enterprise advisors together with the information on compliance that is systematically collected by BFC. BFC should ensure that social dialogue-related messages delivered in its training are consistent with IR project messages. All involved should promote the idea that just like OSH or grievance committees, PICCs are social dialogue institutions that offer an opportunity for management, workers and worker representatives to apply the knowledge and skills developed with the help of the IR project.